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TO SECSTATE WASHDC PRIORITY 6237

S E C R E T SECTION 1 OF 6 USNATO 3283

E.O. 11652: GDS

TAGS: PFOR, NATO, XF

SUBJECT: NATOMIN: AGENDA ITEM II (B) - THE SITUATION IN THE MEDITERRANEAN

1. HERewith THE TEXT OF DOCUMENT C-M(74)18(FINAL), THE REPORT BY THE COUNCIL IN PLENARY SESSION ON THE SITUATION IN THE MEDITERRANEAN DECEMBER 1973 - MAY 1974. THIS DOCUMENT WILL BE CONSIDERED BY THE COUNCIL IN MINISTERIAL SESSION IN OTTAWA AS ITEM II(B) OF THE AGENDA.

2. DEPARTMENT WILL NOTE THAT THE ITALIAN INTERVENTION REFERRED TO IN REFTEL, IN SOMEWHAT MODIFIED VERSION, APPEARS AS AN ANNEX TO THIS FINAL DOCUMENT. THIS SOMEWHAT IRREGULAR PROCEDURE OF A LAST MINUTE DECISION TO APPEND THE VIEWS OF ONE DELEGATION, HOWEVER, SHOULD CAUSE NO PROBLEM AS THE VIEWS ARE NON-CONTROVERSIAL AND MOREOVER THEY HAVE NO MORE STATUS THAN A FOOTNOTE TO AGREED REPORT WHICH ANY DELEGATION CAN INSIST UPON.

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3. BEGIN TEXT

THE SITUATION IN THE MEDITERRANEAN
DECEMBER 1973-MAY 1974

REPORT BY THE COUNCIL IN PERMANENT SESSION

THE ATTACHED REPORT PREPARED BY THE AD HOC GROUP ON THE MEDITERRANEAN WAS THE SUBJECT OF AN EXCHANGE OF VIEWS IN THE COUNCIL ON 5TH JUNE, 1974, AND WAS APPROVED FOR SUBMISSION TO MINISTERS UNDER ITEM II OF THE AGENDA OF THE MINISTERIAL SESSION. THE COUNCIL ALSO DECIDED TO ATTACH A STATEMENT BY THE PERMANENT REPRESENTATIVE OF ITALY.

(SIGNED) JOSPEH M.A.H. LUNS

DEVELOPMENTS IN THE MEDITERRANEAN

DECEMBER 1973-MAY 1974

1. AT THEIR LAST MEETING IN BRUSSELS, ON 10TH AND 11TH DECEMBER, 1973, MINISTERS NOTED THE REPORT ON THE SITUATION IN THE MEDITERRANEAN (C-M(73)117(REVISED)) WHICH HAD BEEN PREPARED ON THEIR INSTRUCTIONS BY THE COUNCIL IN PERMANENT SESSION. IN PARAGRAPH 5 ON THE MINISTERIAL COMMUNIQUE, MINISTERS INVITED THE COUNCIL IN PERMANENT SESSION TO CONTINUE TO KEEP THE SITUATION UNDER REVIEW AND TO REPORT TO THEM AGAIN AT THEIR NEXT MEETING.

2. IN ACCORDANCE WITH THESE INSTRUCTIONS, THE COUNCIL IN PERMANENT SESSION ARRANGED FOR THE FOLLOWING REPORT TO BE PREPARED ON THE SITUATION IN THE MEDITERRANEAN. THIS REPORT SHOULD BE REGARDED AS PART OF THE CONTINUING REVIEW OF, AND CONSULTATION ON, THE SITUATION IN THE MEDITERRANEAN. IN VIEW OF THE FLUIDITY OF THE SITUATION, HOWEVER, THE SURVEY HAS FOCUSED ON THE OUTSTANDING EVENTS AND ON THE GENERAL TREND OF DEVELOPMENTS, AS IT AFFECTS THE ALLIANCE.

I. SIGNIFICANT EVENTS IN THE POLITICAL, MILITARY AND ECONOMIC SPHERES

A. POLITICAL

EGYPT

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3. PRESIDENT SADAT IS GAINING INCREASING PUBLIC SUPPORT. HE HAS CROSSED SWORDS WITH THE INFLUENTIAL HASSANAN HEYKAL WHO HAS BEEN DISMISSED FROM HIS POST AS EDITOR OF "AL AHRAH". THE DOWNFALL OF KEYKAL IS THOUGHT TO BE DUE TO HIS CRITICISM OF THE PRESENT TREND OF EGYPTIAN FOREIGN POLICY.

4. AT THE END OF JANUARY, MR. FAHMI, THE NEW FOREIGN MINISTER, PAID AN OFFICIAL VISIT TO MOSCOW, PROBABLY WITH A VIEW TO EASING THE USSR'S ANNOYANCE AT THE OVERLY INDEPENDENT LINE ADOPTED BY CAIRO AND THE REDUCED ROLE MOSCOW HAS BEEN OBLIGED TO PLAY IN THE MIDDLE EAST NEGOTIATIONS. THE TEMPERATURE OF SOVIET-EGYPTIAN RELATIONS NONETHELESS DROPPED AGAIN THEREAFTER DESPITE GROMYKO'S VISIT TO CAIRO EARLY IN MARCH. WHILE MOVING

AHEAD ON A RAPPROCHEMENT WITH THE UNITED STATES, HOWEVER, EGYPT HAS BEEN CAREFUL TO KEEP ITS DIFFERENCES WITH THE USSR WITHIN BOUNDS AND SADAT HAS PUBLICLY STATED HIS DESIRE TO FOLLOW A BALANCED POLICY BETWEEN THOSE TWO POWERS.

LIBYA

5. THE SURPRISE ANNOUNCEMENT THAT LIBYA AND TUNISIA WERE TO BE UNIFIED HAS NOT BEEN FOLLOWED UP BY ANY IMLEMNTARY MEASURE. ON THE CONTRARY, PRESIDENT BOURGUIBA AND SOME OF HIS ADVISORS APPEAR TO HAVE HAD SECOND THOUGHTS. IMMEDIATELY AFTER THE ANNOUNCEMENT PRESIDENT BOURGUIBA DISMISSED MR. MASMOUDI, HIS FOREIGN MINISTER, WHO HAD APPARENTLY BEEN THE ARCHITECT OF THE AGREEMENT. IT HAS BEEN STATED THAT THE AGREEMENT OF MOROCCO AND ALGERIA TO THE UNIFICATION WOULD BE SOUGHT, AND THIS PROBABLY MEANS THAT IT HAS BEEN POSTPONED SINE DIE. ALTHOUGH THE PROJECT FOR FULL UNION BETWEEN EGYPT AND LIBYA HAS BEEN SHELVED, THE SPLIT WHICH DEVELOPED BETWEEN THEM AS A RESULT OF THE OCTOBER WAR WAS IN PART REPAIRED DURING GADAFY'S VISIT TO CARIRO IN FEBRUARY. THIS, LIKE HIS VISIT TO KING FAISAL WAS MAINLY AIMED AT BREAKING THE ISOLATION CAUSED BY HIS ATTEMPTS TO FORCE ARAB UNITY. IT WAS NOT LONG, HOWVER, BEFORE RELATIONS BETWEEN TRIPOLI AND CAIRO HAD AGAIN DETERIORATED. THUS, AT THE END OF MARCH, GADAFY ANNOUNCED THAT LIBYA NO LONGER FELT BOUND BY THE COMMITMENT INTO WHICH IT HAD ENTERED IN CONJUNCTION WITH SAUDI ARABIA ANDKUWAIT, AT THE SUMMIT MEETING IN KHARTOUM, TO HELP EGYPT FINANCIALLY.

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6. IN APRIL GADAFY CEASED TO EXERCISE HIS POLITICAL AND CEREMONIAL DUTIES WHICH WERE TRANSFERRED TO THE PRIME MINISTER, MAJOR JALLOUD. IN REALITY, HE DOES NOT APPEAR TO HAVE BEEN RELEGATED TO THE SIDELINES, SINCE HE REMAINS HEAD OF THE ARMY AND OF THE COUNCIL OF THE REVOLUTION. IT WILL BE RECALLED THAT THIS IS NOT THE FIRST CASE OF DISAGREEMENT BETWEEN THE TWO MEN AND THAT JALLOUD'S TRAVELS TO VARIOUS EUROPEAN CAPITALS IN THE EARLY SPRING APPEAR TO HAVE BEEN MOTIVATED BY THE DESIRE TO SHAPE A MORE NUANCED ROLE FOR LIBYA'S FOREIGN POLICY. FURTHER, LIBYA HAS ESTABLISHED DIPLOMATIC RELATIONS WITH RUMANIA. JALLOUD'S VISIT TO THE SOVIET UNION IN MID-MAY MARKED AN ATTEMPT BY THE SOVIET UNION TO REGAIN SOME OF THE GROUND LOST IN ITS MIDDLE EAST POSITION; AND, FOR ITS PART, LIBYA DOUBTLESS SAW IN THIS A MEANS OF REINFORCING ITSELF AFTER THE DETERIORATION OF ITS RELATIONS WITH EGYPT. HOWEVER, THE SUDDEN RAPPROACHEMENT, WHILE MUTUALLY CONVENTIENT, PROBABLY LACKS A BASIS FOR PERMANENCE.

ALGERIA

7. SINCE THE OCTOBER WAR, PRESIDENT BOUMEDIENNE HAS BEEN
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PLYAING AND INCRESINGLY ACTIVE ROLE BOTH IN THE NON-ALIGNMENT CONTEXT AND IN CONSULTATION AMONG THE ARAB GOVERNMENTS.

ISRAEL

8. AT THE TIME OF THE DECEMBER 9173 ELCTIONS, THE PARTIES OF THE GOVERNING COALITION WERE BEING CRITICIZED FOR THE HANDLING OF EVENTS SURROUNDING THE OCTOBER WAR AND THEY LOST SOME GROUND TO THE RIGHTIST OPPOSITION. ALTHOUGH THE GOVERNMENT'S SUBSEQUENT DECISION TO SIGN THE DISENGAGEMENT AGREEMENT WITH EGYPT RECEIVED GENERAL SUPPORT, THE NEW GOVERNMENT WHICH MRS. MEIR FINALLY SUCCEEDED IN FORMING AFTER LENGTHY NEGOTIATIONS MET WITH WIDE-SPREAD CRITICISM FORM THE PUBLIC AND IN POLITICAL CIRCLES BASED ON THE INTERIM REPORT OF THE COMMISSION ESTABLISHED TO INVESTIGATE THE GOVERNMENT'S PREPAREDNESS FOR AND CONDUCT OF THE WAR. MRS. MEIR THEN DECIDED TO STEP DOWN AND MR. RABIN - CHIEF-OF-STAFF AT THE TIME OF THE SIX DAY WAR AND SUBSEQUENTLY AMBASSADOR TO WASHINGTON - WAS CHOSEN TO SUCCEED HER.

ARAB-ISRAELI NEGOTIATIONS

9. IN COMPLIANCE WITH SECURITY COUNCIL REGULATIONS 338, THE PEACE CONFERENCE OPENED IN GENEVA ON 21ST DECEMBER, 1973 WITH A MEETING OF THE FOREIGN MINISTERS OF ISRAEL, EGYPT, JORDAN, THE UNITED STATES AND THE SOVIET UNION UNDER THE CHAIRMANSHIP OF THE SECRETARY GENERAL OF THE UNITED NATIONS. TO DATE SYRIA HAS REFUSED TO TAKE PART. THE UNITED STATES AND THE USSR WILL ACT AS CO-CHAIRMEN FOR THE TALKS AHEAD. AN AGREEMENT WAS

REACHED ON 18TH JANUARY, 1974 BETWEEN EGYPT AND ISRAEL CONCERNING THE DISENGAGEMENT OF THEIR FORCES. THIS AGREEMENT WAS INITIALED BY THE REPRESENTATIVES OF EGYPT AND ISRAEL AS WELL AS THE UNITED NATIONS REPRESENTATIVE PRESENT. IT IS CONSIDERED BY THE PARTIES AS PART OF AN OVERALL SETTLEMENT. UNDER THIS AGREEMENT, WHICH ENTAILED CONCESSIONS ON BOTH SIDES, EGYPT REGAINED CONTROL OF THE CANAL AND THE ISRAELI TROOPS WITHDREW TO JUST WEST OF THE SINAI PASSES, THE TWO SIDES BEING SEPARATED BY THE UNITED NATIONS EMERGENCY FORCE. SERIOUS PROBLEMS HAVE HINDERED THE CONCLUSION OF A SIMILAR AGREEMENT BETWEEN SYRIA AND ISRAEL ON THE GOLAN FRONT WHERE MILITARY ACTIVITY AT TIMES THREATENED FULL SCALE CONFLICT. INTENSIVE DIPLOMATIC ACTIVITY IN SEARCH OF A COMPROMISE SOLUTION ENSUED, INVOLVING, APART
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FROM THE BELLIGERENTS, THE UNITED STATES, EGYPT AND, ALBEIT BEHIND THE SCENES, THE SOVIET UNION.

B. MILITARY

SOVIET MILITARY PRESENCE IN THE AREA

10. THE SOVIET MEDITERRANEAN SQUADRON CONTINUES TO BE THE MAIN SOVIET MILITARY PRESENCE IN THE AREA. AFTER REACHING A PEAK OF ABOUT 95 SHIPS IN OCTOBER/NOVEMBER 1973, THE SQUADRON HAS BEEN PROGRESSIVELY REDUCED IN SIZE. THE STRENGTH OF THE SQUADRON HAS REACHED APPROXIMATELY ITS PRE-OCTOBER WAR FIGURE. THE CURRENT OPERATIONS OF THE SQUADRON CONFORM TO THOSE OVER THE PAST YEAR. IT IS OF NOTE THAT THE NUMBER OF SUBMARINES HAS VARIED BETWEEN 11 AND 15 OVER THE PERIOD - A SLIGHT AVERAGE INCREASE OVER THE CORRESPONDING PERIOD OF 1973.

11. THE SURFACE-TO-SURFACE MISSILE (SS-1 SCUD) WAS REPORTED IN EGYPT TOWARD THE END OF THE OCTOBER WAR. IT IS ESTIMATED THAT THESE WEAPONS REMAIN IN THE COUNTRY UNDER SOVIET CONTROL. IN OUR BEST JUDGEMENT THEY DO NOT HAVE NUCLEAR WARHEADS. FOLLOWING PRESIDENT ASSAD'S VISIT TO MOSCOW, SYRIA WAS SCHEDULED TO RECEIVE THE SCUD MISSILE WHICH WE BELIEVE HAS NOW ARRIVED.

12. THE REPORTED DEPLOYMENT BY THE SOVIET UNION TO CAIRO WEST OF ONE MIG-25 FOXBAT SQUADRON PROTECTED BY ONE SA-6 BATTALION, IF CONFIRMED, COULD INCREASE THE SOVIET RECONNAISSANCE CAPABILITY. IT WAS REPORTED THAT MIG-23 FLOGGER AIRCRAFT HAD BEEN DEPLOYED BY THE SOVIET UNION TO EGYPT BUT RECENTLY THESE REPORTS HAVE BEEN DENIED BY CERTAIN ALLIED SOURCES. THERE ARE INDICATIONS THAT MIG-23 AIRCRAFT ARE ALREADY IN SYRIA AND THAT SOVIET PILOTS ARE TRAINING SYRIANS ON THEM; THERE HAVE BEEN UNSUBSTANTIATED REPORTS OF RECONNAISSANCE TYPE MIG-25 AIRCRAFT FLOWN BY SOVIET PILOTS.

SOVIET EXPORT OF ARMS

13. ALL OF THE MILITARY EQUIPMENT LOST BY THE ARAB COUNTRIES DURING THE OCTOBER WAR HAS BEEN REPLACED BY THE SOVIET UNION. EXACT QUANTITIES AND TYPES OF EQUIPMENT SUPPLIED ARE NOT KNOWN. REPORTS VARY BUT IT IS LIKELY THAT NEARLY ALL OF THE AIRCRAFT, SECRET

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TANKS AND SURFACE-TO-AIR MISSILES LOST HAVE BEEN MADE GOOD AND IN MANY CASES IMPROVED BY LATER MODELS. THE ARRANGEMENTS FOR SUPPLIES OF SOVIET ARMS TO EGYPT APPEAR TO BE UNDER CONSIDERABLE STRESS AT THE PRESENT TIME BECAUSE OF UNCERTAINTIES OVER DELIVERIES. EGYPT HAS ANNOUNCED A DESIRE TO DIVERSIFY ITS SOURCES OF ARMS SUPPLY. OF COURSE, A WIDE DIVERSITY OF EQUIPMENT WILL LESSEN THE EFFECTIVENESS OF THE EGYPTIAN FORCES, AT LEAST IN THE SHORT RUN. FOLLOWING THE PRIME MINISTER OF LIBYA'S VISIT TO MOSCOW, THERE ARE UNCONFIRMED REPORTS THAT THE SOVIET UNION WILL SUPPLY SOME ARMS TO LIBYA, POSSIBLY SURFACE-TO-AIR MISSILES (SA2, SA3, SA7).

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14. SOVIET INFLUENCE IN IRAQ CONTINUES LARGELY THROUGH THE CONTINUED SUPPLY OF ARMS. IT IS NOT CLEAR WHETHER THE TU-22 BLINDER AIRCRAFT DELIVERED AT THE TIME OF THE MIDDLE EAST WAR ARE BEING FLOWN BY IRAQI OR SOVIET PILOTS.

15. THERE ARE CONTINUED REPORTS OF SOVIET-SUPPLIED SA7 GRAIL MISSILES REACHING FEDAYEEN HANDS.

SOVIET MILITARY EXPERTS IN EGYPT AND SYRIA

16. IT NOW APPEARS THAT THE SOVIET ADVISERS STATIONED IN EGYPT AND SYRIA WERE NOT WITHDRAWN DURING THE RECENT WAR ALTHOUGH THEIR FAMILIES WERE REPATRIATED. SOME 500-1,000 MILITARY EXPERTS IN EGYPT ARE CURRENTLY REPORTED TO BE TRAINING THE FORCES, OTHERS ARE PRESUMABLY IN EGYPT IN CONNECTION WITH SOVIET WEAPONS SYSTEMS. SOME ARE ALSO PROBABLY ENGAGED IN STUDIES OF THE LESSONS TO BE LEARNED FROM THE EXPERIENCES OF THE WAR. REPORTS ON THE NUMBER OF MILITARY ADVISERS/EXPERTS IN SYRIA VARY FROM 2,500 FROM SOME SOURCES TO A FIGURE OF 800-1,000 SUGGESTED BY ANOTHER.

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LESSONS TO BE LEARNED BY NATO FROM THE MIDDLE EAST WAR

17. STUDIES ARE IN PROGRESS, BUT IT IS STILL TOO EARLY AND INFORMATION IS STILL TOO LIMITED TO ATTEMPT TO DRAW ANY DEFINITIVE CONCLUSIONS ABOUT THE LESSONS TO BE LEARNED BY NATO FROM THE RECENT MIDDLE EAST WAR.

RE-OPENING OF THE SUEZ CANAL

18. WORK ON MINE CLEARANCE IN THE SUEZ CANAL HAS STARTED. IT IS ESTIMATED THAT IT WILL TAKE A YEAR OR MORE TO RESTORE THE CANAL TO ITS 1967 CONDITION, ALLOWING PASSAGE OF SHIPS UP TO 38 FEET (11.8 M) DRAUGHT. THE RE-OPENING OF THE CANAL COULD FACILITATE THE RAPID REINFORCEMENT OF THE SOVIET NAVAL PRESENCE IN THE INDIAN OCEAN WHICH HAS MOREOVER BEEN INCREASED IN RECENT YEARS. HOWEVER, THE RE-OPENING OF THE CANAL WILL BE ONLY ONE FACTOR AMONG MANY IN DETERMINING THE SIZE OF THE SOVIET'S PERMANENT INDIAN OCEAN DEPLOYMENT.

C. ECONOMIC

19. IN ISRAEL, A NUMBER OF DIRECT AND INDIRECT TAXES WERE RAISED TOWARDS THE END OF LAST YEAR AND SUBSIDIES, PARTICULARLY FOR FOOD, HAVE BEEN REDUCED BY MORE THAN 1,000 MILLION ISRAELI POUNDS. THIS HAD LED TO A RISE OF NEARLY 40 PER CENT IN THE COST OF LIVING. ALTHOUGH THE TRADE DEFICIT INCREASED BY 82 PER CENT IN 1973 AND NOW STANDS AT \$1,700 MILLION, CAPITAL TRANSFERS FROM ABROAD ARE EXPECTED TO COVER ISRAEL'S TRADE DEFICIT.

20. LOOKING AHEAD TO THE RE-OPENING OF THE SUEZ CANAL, EGYPT IS GIVING A SPECIAL PRIORITY TO THE RECONSTRUCTION AND THE REHABILITATION OF THE CANAL ZONE AS A WHOLE AND OF THE SUEZ REFINERIES. THE EGYPTIANS HAVE PLANS TO WIDEN AND DEEPEN THE CANAL IN TWO THREE-YEAR STAGES, BUT IT IS NOT YET CLEAR WHETHER THEY WILL BE IMPLEMENTED. IF SO IMPROVED, THE CANAL WOULD ADMIT SHIPS OF UP TO 67 TO 70 FEET DRAUGHT (APPROXIMATELY 250,000 DWT), BUT LARGER SHIPMENTS VIA THE CAPE ROUTE WOULD STILL BE LESS COSTLY. WITH INCREASED DRY CARGO, THE CANAL MAY CARRY ABOUT TWO-THIRDS OF ITS PRE-CLOSURE TRAFFIC. EGYPT HAS ALSO REACHED AN AGREEMENT

IN PRINCIPLE WITH THE FEDERAL REPUBLIC OF GERMANY FOR THE
IMPLEMENTATION OF THE QUATTARAH DEPRESSION ELECTRIC POWER PLANT
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PROJECT. THIS, TOGETHER WITH THE SUMED PIPELINE CONSTRUCTION
CONTRACT AND THE RESUMPTION OF EXPLORATION FOR OIL WITH THE
ACTIVE PARTICIPATION OF WESTERN GROUPS, WITH A NUMBER OF
ECONOMIC AND FINANCIAL LIBERALIZATION MEASURES, ARE OBVIOUS
INDICATIONS OF EGYPT'S HOPES TO DEVELOP ECONOMIC CO-OPERATION
WITH WESTERN EUROPE, THE UNITED STATES AND JAPAN.

21. FULFILMENT OF SYRIA'S 1971-1975 5-YEAR PLAN, WHICH WAS
TO HELP GIVE THE COUNTRY THE INFRASTRUCTURE IT NEEDS TO
ACCELERATE ITS ECONOMIC DEVELOPMENT HAS BEEN SLOWED BY THE WAR
WITH ISRAEL, ALTHOUGH ARAB OIL PRODUCERS HAVE ALREADY MADE
SUBSTANTIAL PLEDGES OF AID TO COMPENSATE FOR THE DIRECT AND
INDIRECT DAMAGE CAUSED TO SYRIA'S ECONOMY; IN ADDITION THERE
HAS BEEN SOME ECONOMIC AID FROM JAPAN AND INDICATIONS OF AID FROM
THE UNITED STATES.

22. IN IRAQ, AFTER THE UPHEAVALS CAUSED BY THE NATIONALIZA-
TION OF THE IRAQI OIL INDUSTRY IN 1972, THERE HAS BEEN A MARKED
IMPROVEMENT (43 PER CENT) IN THE OIL PRODUCTION IN 1973 WHICH
HAS REACHED ON AVERAGE 2.1 MILLION BARRELS (ABOUT 300,000 METRIC
TONS) A DAY. THIS WILL ALLOW IRAQ TO ACCELERATE ITS ECONOMIC
GROWTH, AND THAT COUNTRY INTENDS TO BUY \$3,300 MILLION WORTH OF
EQUIPMENT ABROAD IN 1974. IRAQ IS ALSO DEVELOPING CONTACT WITH
WESTERN EUROPEAN COUNTRIES IN ORDER TO DIMINISH ITS DEPENDENCE
UPON THE USSR.

23. LIBYA HAS JUST RECENTLY REVISED UPWARDS BY \$500 MILLION
THE COST OF ITS 1973-1975 THREE YEAR DEVELOPMENT PLAN ESTABLISHED
AT \$7,140 MILLION WITH \$2,500 MILLION SCHEDULED TO BE SPENT IN
1974. IT WILL BE NOTED, HOWEVER, THAT THE PLAN PROVIDES FOR
THE INVESTMENT OF ONLY \$608 MILLION IN THE OIL SECTOR.

24. INDUSTRIALIZATION IS THE KEYSTONE OF ALGERIA'S
DEVELOPMENT PLANNING. IN THE FIRST FOUR YEAR PLAN (1970-1973)
IT ABSORBED 42.4 PER CENT OF INVESTMENT ALLOCATIONS. WHILE AGRICULTURE

IS OF PRIME IMPORTANCE TO THE BULK OF THE ALGERIAN POPULATION,
ON AVERAGE ONLY 15 PER CENT OF TOTAL INVESTMENT ALLOCATION HAS BEEN
GOING TO THIS SECTOR. THE SECOND FOUR YEAR PLAN (1974-1977) HAS A
PROJECTED DEVELOPMENT EXPENDITURE AMOUNTING TO 54,000 MILLION
ALGERIAN DINARS AS AGAINST ABOUT 28,000 MILLION ALGERIAN DINARS
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FOR THE PREVIOUS PLAN FOR WHICH ALGERIA HAD TO HAVE RECOURSE TO
FOREIGN LOANS AND AID FOR 25 PER CENT OF ITS TOTAL. IT IS PROBABLE TH
AT

DESPITE THE GREAT INCREASE IN ITS PETROL REVENUES, ALGERIA MIGHT STILL HAVE TO RELY ON FOREIGN LOANS AND AID FOR THE IMPLEMENTATION OF ITS SECOND PLAN.

25. FOR THE OTHER COUNTRIES IN THIS AREA THE MAJOR DEVELOPMENT IS THE STEEP INCREASE IN THE PRICE OF PHOSPHATE, WHICH HAS TREBLED FROM \$13/15 TO \$40/45 A TON. THIS WILL HAVE A PARTICULARLY BENEFICIAL EFFECT ON THE MOROCCAN, TUNISIAN AND JORDANIAN TRADE BALANCES. MOROCCO HAS REPORTEDLY REACHED TENTATIVE AGREEMENT WITH MOSCOW TO EXCHANGE SOVIET TECHNOLOGY AND CAPITAL GOODS FOR PHOSPHATES. IF THE AGREEMENT IS IMPLEMENTED, IT WILL MAKE A SIGNIFICANT INCREASE IN MOROCCAN-SOVIET TRADE.

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THE OIL SECTOR

26. THE CRUDE OIL OUTPUT OF THE ARAB COUNTRIES ACCOUNTS FOR ABOUT ONE-THIRD OF WORLD PRODUCTION, THE LATTER BEING ESTIMATED AT APPROXIMATELY 57.7 MILLION BARRELS/DAY IN 1973 (ABOUT 2,890 MILLION METRIC TONS FOR THE YEAR). EVEN TALKING INTO ACCOUNT THE REDUCTION IN OIL PRODUCTION DECLARED BY ARAB PRODUCER COUNTRIES IN OCTOBER 1973, ESTIMATED SAUDI ARABIAN PRODUCTION DURING 1973 STILL AVERAGED 7.34 MILLION BARRELS (SLIGHTLY MORE THAN 1 MILLION METRIC TONS) A DAY OR SOME 32 PER CENT MORE THAN IN 1972. THIS FIGURE DOES NOT, HOWEVER, TAKE INTO ACCOUNT THE VERY SUBSTANTIAL PRODUCTION INCREASES THAT HAD BEEN FORECAST BUT THAT HAVE BEEN CANCELLED BY PRODUCTION CUTBACKS. FROM 1ST APRIL, SAUDI PRODUCTION CEILING HAS BEEN INCREASED TO 8.5 MILLION BARRELS A DAY (ABOUT 430 MILLION METRIC TONS A YEAR), 2.5 PER CENT HIGHER THAN ITS SEPTEMBER 1973 LEVEL.

27. THE GREAT SIGNIFICANCE OF SAUDI ARABIA AS A PRODUCER LIES IN THE FACT THAT, WITH AT LEAST 25PER CENT OF THE PROVEN WORLD OIL DEPOSITS, IT IS THE ONLY PRODUCER COUNTRY WITH THE CAPACITY
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TO SATISFY THE WORLD'S GROWING OIL NEEDS. ANOTHER IMPORTANT ARAB PRODUCER IN THE GULF IS ABU DHABI, WHERE PRODUCTION, DESPITE THE CURRENT CUTBACK, IS NOW APPROXIMATELY 1.2 MILLION BARRELS (ABOUT 170,000 METRIC TONS) A DAY AND THEREFORE ALREADY EXCEEDS THAT OF ALGERIA. IF COULD IF OFFICIAL PERMISSION WERE OBTAINED, BE BROUGHT UP TO 3 MILLION BARELS (ABOUT 428,500 METRIC TONS) A DAY WITHIN A COUPLE OF YEARS. THE FOREGOING DEMONSTRATES THE ROLE THAT THIS COUNTRY, TOGETHER WITH SAUDI ARABIA AND POSSIBLY KUWAIT - WHICH, ON AVERAGE, IN 1973 PRODUCED ABOUT 2.75 MILLION BARRELS (ABOUT 392,000 METRIC TONS) A DAY - IGH T PLAY IN THE PETROLEUM WORLD MARKET BOTH IN THE SHORT AND LONG-TERM. THE SAUDI GOVERNMENT MAY SEEK TO ACCELERATE ACQUISTION OF A CONTROLLING INTEREST IN THE OPERATIONS OF THE OIL COMPANIES ON ITS TERRITORY, LIKE KUWAIT, WHICH NOW HAS A 60 PER CENT SHARE IN SUCH OPERATIONS. A SIMILAR AGREEMENT WAS SIGNE
D
IN QATAR BY THE MAJOR CONCESSIONNAIRES ON 20TH FEBRUARY, 1974. NEGOTIATIONS ARE ALSO TAKING PLACE IN ABU DHABI TO INCREASE THE STATE PARTICIPATION WHICH STANDS AT 25 PER CENT.

28.THE EMBARGO ON OIL FOR CERTAIN COUNTRIES IS STILL BEING OFFICIALLY APPLIED AS IS THE DECISION TO REDUCE OIL OUTPUT, ALTHOUGH BY 15 PER CENT NOW AND NOT 25 PER CENT. HOWEVER, SEVERAL ARAB OIL EXPORTING COUNTRIES HAVE BEEN INCREASING PRODUCTION WHICH HAS EITHER PRACTICALLY REACHED ITS SEPTEMBER 1973 LEVEL OR EVEN EXCEEDED IT.THE ONLY TWO NOTABLE EXCEPTIONS ARE KUWAIT AND LIBYA WHERE PRODUCTION IS STILL BETWEEN 15 AND 20 PER CENT BELOW THE PRE-CUTBACK FIGURES. THE MOST DIFFICULT PROBLEM FACING ALL IMPORTING CUNTRIES IS THE FANTASTIC RISE IN THE POSTED PRICES OF A BARREL OF OIL WHICH, DEPENDING ON THE PRODUCING COUNTRY, NOW RANGE FROM \$11.6 TO OVER \$15. HOWEVER, SINCE THE BEGINNING OF THE YEAR, FORREASONS THAT REMAIN TO BE EVALUATED, THERE HAS BEEN A CONSIDERABLE DECLINE INPRICES (ESPECIALLY FOR SPOT AND SHORT-TERM AGREEMENTS) IN PARTICULAR IN COMPARISION WITH THE PRICES REACHED AT THE ACTIONS AROUND THE END OF 1973. IN FEBRUARY 1974, SALES WERE BEING MADE AT UNDER POSTED PRICE AND VERY LITTLE OF THE OIL BOUGHT AT EARLIER AUCTION PRICES WAS LIFTED. HOWEVER, AT THIS TIME THERE IS MUCH UNCERTAINTY AS REGARDS FUTURE POSTED PRICES BUT IT IS QUITE CLEAR THT OIL PRICES WILL REMAIN AT A LEVEL MUCH HIGHER THAN BEFORE OCTOBER 1973. THIS PRICE INCREASE IS SUCH AS TO CREATE SERIOUS PROBLMES FOR
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THE BALANCE OF PAYMENTS AND THE ECONOMIES OF ALL THE OIL IMPORTING

COUNTRIES AND MORE PARTICULARLY FOR DEVELOPING COUNTRIES.

29. THE OIL REVENUE OF THE ARAB PRODUCING AND EXPORTING COUNTRIES IS EXPECTED TO BE AT LEAST \$50,000 MILLION IN 1974; SUADI ARABIA, FOR INSTANCE, WILL PROBABLY BE GETTING \$20,000 MILLION, AS AGAINST SOME \$5,000 MILLION IN 1973.

30. THE PROBLEMS POSED BY THOSE INCREASED REVENUES VARY FROM COUNTRY TO COUNTRY. SUCH REVENUES SHOULD BE ABLE TO BE USED FIRSTLY FOR A GREATER DIVERSITY OF THE ECONOMIES OF THE ARAB OIL EXPORTING COUNTRIES, ENABLING THEM TO PASS FROM AN ECONOMY GENERALLY FOUNDED ON MONO-PRODUCTION TO A MORE COMPLEX ECONOMY. HOWEVER, WITH THE EXCEPTION OF IRAQ AND ALGERIA, WHOSE NEEDS FOR DEVELOPMENT ARE CONSIDERABLE, IT APPEARS OUT OF THE QUESTION THAT THE OTHER MAJOR ARAB OIL-PRODUCING COUNTRIES WOULD BE ABLE TO SUE AND INVEST AT HOME THE BULK OF THE CONSIDERABLE FUNDS THAT WILL BE RECEIVED. IT SEEMS LIKELY THAT THE OIL-PRODUCING COUNTRIES OF THE GULF, AND PERHAPS LIBYA TOO, WHO DISPOSE OF EXCESS LIQUID ASSETS, WILL EXTEND ECONOMIC AID AND INVESTMENT TO THE LESS FAVOURED ARAB STATES. HOWEVER, IT IS CLEAR THAT EVEN IF SUCH A POLICY WERE FOLLOWED, THE DONOR COUNTRIES WOULD STILL HAVE INCREASINGLY SIZEABLE LIQUID ASSETS WHICH THEY WOULD SEEK TO PLOUGH BACK INTO THE WORLD ECONOMY, PARTICULARLY IN THE UNITED STATES, WESTERN EUROPE AND JAPAN. IT REMAINS TO BE SEEN WHETHER THE WORLD ECONOMY WILL BE ABLE TO ABSORB AN INFLUX OF CAPITAL WHICH COULD WELL BE ON AVERAGE AS MUCH AS \$50,000 MILLION EACH YEAR.

31. SOVIET PROPAGANDA ENCOURAGES ARAB EMPLOYMENT OF THE OIL WEAPON, ALTHOUGH THERE IS NO INDICATION THAT MOSCOW INSTIGATED ITS USE. IT IS CLEAR THAT THE SOVIETS DERIVE BENEFIT FROM THE DIFFICULTIES WHICH THE ENERGY CRISIS CAUSES FOR THE WESTERN WORLD.

II. PRESENT TRENDS

A. POLITICAL

32. THE FACT THAT PRESIDENT SADAT HAS, SINCE THE OCTOBER WAR, ENJOYED REINFORCED PRESTIGE IS IMPORTANT IN THAT IT GIVES HIM THE AUTHORITY TO UNDERTAKE NEGOTIATIONS. INDEED, THE
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EGYPTIAN PRESIDENT SEEMS TO HAVE DECIDED TO PLAY THE PEACE CARD AND TO LAUNCH A POLICY FOR ECONOMIC RECOVERY IN SEEKING, NOTABLY, FOREIGN CAPITAL. THE PLANS OF THE AUTHORITIES IN CAIRO TO RE-OPEN THE CANAL AND TO RECONSTRUCT THAT ZONE CAN BE SEEN IN THIS CONTEXT. INTER ALIA, THE EVICTION OF MR. HEYKAL AND THE PARDONS GRANTED TO CERTAIN MEMBERS OF THE SABRY GROUP REFLECT A CLEAR DESIRE TO TURN AWAY FROM "NASSERISM". PRESIDENT SADAT, WITH GROWING SELF-CONFIDENCE, IS MOVING AHEAD ON HIS OWN COURSE ALTHOUGH MANY DIFFICULTIES REMAIN TO BE SURMOUNTED AND SADAT'S POSITION WILL REMAIN VULNERABLE AS LONG AS THERE IS NO SATISFACTORY PEACE

STEELEMENT AND NO RAPID ECONOMIC PROGRESS WITH WESTERN ASSISTANCE.

33. SAUDI ARABIA, BECUASE OF ITS CONSIDERABLE OIL RESOURCES AND BECAUSE OF THE CLOSE RELATIONSHIP IT NOW MAINTAINS WITH EGYPT, ECERCISES AN INCREASINGLY KMPORTANT INFLUENCE WITHIN THE ARAB WORLD. KING FAISAL, IN ENDEAVOOURING TO ADOPT A MODERATE ATTITUDE, IS OBVIOUSLY COMPELLED TO MAKE CONCESSIONS TO OTHER ARAB STATES WHICH TAKE THE HARDEST LINE.

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34. THE SOVIETS DID NOT ATTEMPT TO THWART DIPLOMATIC EFFORTS TOWARDS THE CONCLUSION OF AN AGREEMENT ON THE DISENGAGEMENT OF FORCES BETWEEN ISRAEL AND EGYPT. DESPITE CERTAIN STATEMENTS BY SOVIET PROGAGANDA, UNTIL NOW THEY CONTINUE TO SUPPORT PEACE NEGOTIATIONS IN THE CONTEXT OF THE GENEVA CONFERENCE. NEVERTHELESS, THEY HAVE BEEN WORRIED RECENTLY ABOUT THE UNFORTUNATE EFFECTS THAT THEIR PRESENT PASSIVE ROLE COULD HAVE ON THEIR PRESTIGE AND INFLUENCE IN ARAB COUNTRIES. IT IS TO COUNTERACT THIS TREND THAT THE USSR DECIDED TO INTENSIFY ITS CONTACT WITH SYRIA. THE COMMUNIQUE AFTER ASSAD'S FIVE DAY VISIT TO THE SOVIET UNION IN MID-APRIL SATISFIED SOME OF THE SOVIET CONCERNS BY EMPHASIZING THAT MOSCOW INTENDS TO PARTICIPATE "IN ALL THE STAGES AND SPHERES OF SETTLEMENTS AIMED AT ESTABLISHMENT OF A JUST AND DURABLE PEACE IN THE MIDDLE EAST". HOWEVER, THERE WAS NOT COMPLETE AGREEMENT BETWEEN THE SYRIANS AND THE SOVIETS DURING THE ASSAD VISIT. IN A FURTHER EFFORT TO STRENGTHEN THEIR RELATIONS WITH DAMASCUS, THE SOVIETS HAVE INCREASED THEIR MILITARY DELIVERIES TO SYRIA BOTH QUANTITATIVELY AND QUALITATIVELY. GIVEN THE COOLING-OFF IN SOVIET-EGYPTIAN RELATIONS, DAMSCUS WILL MORE THAN EVER BE AN IMPORTANT ELEMENT IN THE SOVIETS' ARAB POLICY.

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35. THE VARIOUS PALESTINIAN ORGANIZATIONS ARE TRYING TO OVERCOME THEIR DIFFERENCES - WHICH ARE STILL CONSIDERABLE - SO AS TO FIND A COMMON POSITION WITH A VIEW TO PARTICIPATION IN THE SOLUTION OF THE ARAB-ISRAELI CONFLICT. MOSCOW CONTINUES TO ENCOURAGE THEIR UNITY OVER POLITICAL GOALS. IN THIS EFFORT THE SOVIETS FAVOUR YASSIR ARAFAT'S PALESTINIAN LIBERATION ORGANIZATION WHICH HAS BEEN RECOGNIZED BY PRACTICALLY ALL ARAB COUNTRIES AS THE LEGITIMATE REPRESENTATIVES OF THE PALESTINIAN PEOPLE. FOR HIS PART, THE KING OF JORDAN HAS RECOGNIZED IN HIS SPEECH OF 1ST MAY THAT THE PALESTINIANS COULD BE REPRESENTED BY THE PLO AND NO LONGER SEEMS TO EXCLUDE THE POSSIBILITY THAT THE LATTER BE GIVEN THE RESPONSIBILITY OF SETTLING THE PROBLEMS OF THE OCCUPIED WEST BANK AND THE GAZA STRIP. MOSCOW REMAINS POLITICALLY UNCOMMITTED TO ANY SPECIFIC PALESTINE SOLUTION.

B. MILITARY

SOVMEDRON

36. THE RECENT REDUCTION IN THE STRENGTH OF THE SOVMEDRON IMPLIES THAT A MIXED FORCE OF ABOUT 50 SHIPS IS CONSIDERED BY THE SOVIETS TO MEET THEIR PEACETIME NEEDS IN THE AREA. THESE REQUIREMENTS WOULD APPEAR TO BE A SOVIET PRESENCE SUFFICIENT TO MAINTAIN THEIR INFLUENCE ON THE RIPARIAN STATES AND TO MATCH THE PRESENCE OF THE NAVAL FORCES OF NATO COUNTRIES. DURING THE MIDDLE EAST WAR, THE SOVIETS AMPLY DEMONSTRATED THEIR ABILITY TO REINFORCE THE SQUADRON AT SHORT NOTICE. MEDITERRANEAN SHORE FACILITIES WILL REMAIN IMPORTANT AND THE USSR WILL TRY TO GOVERN ITS RELATIONS WITH THE ARABS, ESPECIALLY EGYPT AND SYRIA, SO AS TO RETAIN THE USE OF NAVAL FACILITIES, AT LEAST AT THE LEVEL IT NOW ENJOYS.

SITUATION ARISING FROM THE RE-EQUIPPING OF EGYPT AND SYRIA

37. THE SOVIET REPLACEMENT OF ARAB EQUIPMENT DESTROYED IN THE MIDDLE EAST WAR WAS TO BE EXPECTED IN ORDER TO MAINTAIN A BALANCE AGAINST THE AMERICAN EQUIPPED ISRAELI FORCES. IT WOULD SEEM THAT THE SOVIETS DO NOT WANT A RENEWAL OF THE WAR BUT THE POSSIBILITY THAT WAR MIGHT OCCUR SHOULD NOT BE LOST SIGHT OF, ESPECIALLY AS LONG AS THERE IS NO DISENGAGEMENT ALONG THE GOLAN

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FRONT.

RE-OPENING OF THE SUEZ CANAL

38. WHILE THE RE-OPENING OF THE SUEZ CANAL WOULD RESTORE THE IMPORTANCE OF THE RED SEA, THE ATTRACTIONS OF THE INDIAN

OCEAN WILL NOT DIMINISH THE IMPORTANCE OF THE MEDITERRANEAN IN SOVIET EYES. AN OPEN SUEZ CANAL WILL AFFORD THE OPPORTUNITY BUT NOT NECESSARILY AN INCENTIVE TO ALTER THE BALANCE OF SOVIET NAVAL DEPLOYMENTS.

C. ECONOMIC

39. THE YEAR 1974 PROMISES TO BE A TURNING POINT FOR THE SOUTHERN PART OF THE MEDITERRANEAN BASIN. THE PREVIOUS PLANS CONCERNING THE ECONOMIC SITUATION OF THAT REGION AND ITS DEVELOPMENT PROSPECTS HAVE BEEN COMPLETELY UPSET BY THE EVENTS OF THE LAST QUARTER OF 1973, NAMELY, THE CONSIDERABLE INCREASE IN THE PRICE OF OIL (FOUR-FOLD BETWEEN OCTOBER AND DECEMBER) AND THE DETERMINATION OF THE ARAB OIL-PRODUCING COUNTRIES TO PLAY A FAR MORE ACTIVE ROLE BOTH WITHIN THE ARAB WORLD AND IN THEIR FINANCIAL, COMMERCIAL AND ECONOMIC RELATIONS WITH THE INDUSTRIALIZED NON-COMMUNIST WORLD AND THE OTHER DEVELOPING COUNTRIES. IN THIS CONNECTION, IT IS IMPORTANT TO NOTE THAT, ON THEIR PART, THE MEMBER STATES OF THE ALLIANCE WHO ARE MEMBERS OF THE COMMON MARKET DECIDED TO OPEN DISCUSSIONS WITH THE ARAB STATES WITH WHOM THEY ARE LINKED BY AN OBVIOUS COMMON INTEREST WITH THE AIM OF, AMONGST OTHER THINGS, ESTABLISHING THOROUGH, LONG-TERM CO-OPERATION WITH THEM. FURTHERMORE THESE COUNTRIES INTEND THAT THIS DIALOGUE BETWEEN THEM AND THE ARAB COUNTRIES WILL FACILITATE MIDDLE EAST PEACE EFFORTS AND WILL MESH WITH THEIR OTHER EFFORTS TOWARDS THE SOLUTION IN THE LONG-TERM OF THE WORLD-WIDE ENERGY PROBLEMS.

40. THE RE-OPENING OF THE SUEZ CANAL IN THE NEAR FUTURE IS A POSITIVE FACTOR FOR THE ALLIANCE. HERE IS A DANGER, HOWEVER, THAT THE CONSIDERABLE RISE IN THE PRICE OF OIL MAY SLOW DOWN ECONOMIC GROWTH, INCREASE INFLATIONARY PRESSURES AND HAVE AN ADVERSE EFFECT ON THE BALANCE OF TRADE AND ON THE LEVEL OF EMPLOYMENT.

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III. CONCLUSIONS

41. CONSOLIDATION OF THE SOVIET UNION'S POSITIONS IN THE MEDITERRRANEAN CONTINUES TO BE A BASIC ELEMENT OF SOVIET POLICY. IN THE POLITICAL SPHERE, A FAVOURABLE EVOLUTION OF THE SITUATION IS VERY MUCH DEPENDENT ON THE PROGRESS OF THE ARAB-ISRAELI NEGOTIATIONS. WHILE IT IS TRUE THAT THESE GOT OFF TO A GOOD START, IT IS CLEAR THAT THE PUTTING-TOGETHER OF AN OVERALL SETTLEMENT WHICH TAKES ACCOUNT OF THE LEGITIMATE INTERESTS OF ALL THE PARTIES CONCERNED (THE PALESTINIANS INCLUDED) STILL HAS TO OVERCOME A LARGE NUMBER OF OBSTACLES. THE ALLIED COUNTRIES, WHILST SUPPORTING THE RESOLUTIONS OF THE SECURITY COUNCIL, SHOULD CONTINUE TO GIVE SUPPORT TO THE EFFORTS MADE TO THIS END. FROM THE MILITARY POINT OF VIEW THE SOVIET POSTURE HAS LARGELY RETURNED TO THE "STATUS QUO ANTE" WITH THE SOV MEDRON, REDUCED IN SIZE TO APPROXIMATELY ITS PRE-WAR STRENGTH, AS THE MAIN SOVIET MILITARY PRESENCE IN THE AREA. BY THE REPLACEMENT OF EQUIPMENT LOST IN THE MIDDLE EAST WAR AND BY THE PRESENCE OF EXPERTS/ ADVISERS AND WEAPONS SYSTEMS, THE SOVIETS RETAIN CONSIDERABLE INFLUENCE IN THE ARAB COUNTRIES CONCERNED, ALTHOUGH THIS MAY BE SECRET

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WANING IN EGYPT. THE RE-OPENING OF THE SUEZ CANAL WOULD IMPROVE THE SOVIET CAPABILITY TO REINFORCE THEIR NAVAL PRESENCE IN THE RED SEA/INDIAN OCEAN AREA BUT WILL NOT ALTER THE IMPORTANCE OF THE MEDITERRANEAN TO THEM. THE ALLIED COUNTRIES MUST ENSURE THAT ADEQUATE MILITARY FORCES ARE MAINTAINED IN THE AREA. IN THE ECONOMIC FIELD, ALL THE ALLIED COUNTRIES SHOULD DETERMINE, THROUGH APPROPRIATE CONSULTATIVE EFFORTS, HOW BEST TO DIMINISH THE IMPACT ON THEIR ECONOMIES AS A WHOLE OF THE ARAB DECISIONS ON OIL SUPPLIES. IN PARTICULAR, ALL NECESSARY MEASURES SHOULD BE TAKEN TO DEVELOP ALTERNATIVE ENERGY SOURCES.

ITALIAN DELEGATION -1- ANNEX TO
TO NATO C-M(74)18(FINAL)
5TH JUNE, 1974

DEAR MR. CHAIRMAN,

THE PREPARATION OF THIS REPORT, WHICH RELATES TO ONE OF THE WORLD'S MOST SENSITIVE AREAS, REPRESENTS A PRIMARY ACTIVITY IN THE FIELD OF POLITICAL CONSULTATION.

THIS IS WORK OF A VERY SPECIAL KIND, BECAUSE THE FAST-CHANGING PATTERN OF EVENTS MAKES IT EXTREMELY DIFFICULT FOR US TO HAVE A CONSISTENTLY ACCURATE PICTURE OF THE SITUATION.

IN THIS REPORT, FOR INSTANCE, IT HAS NOT BEEN POSSIBLE
TO TAKE ACCOUNT OF A DEVELOPMENT OF CAPITAL IMPORTANCE, NEAMELY THE
SYRIAN-ISRAELI AGREEMENT FOR WHICH THE UNITED STATES SECRETARY OF
STATE HAS WORKED SO TIRELESSLY.

AT THE SAME TIME, THE UPDATING OF THE REPORT HAS BEEN
PARTICULARLY WORTHWHILE SINCE, AMONG OTHER THINGS, IT HAS
HIGHLIGHTED SOME MAJOR CHANGES IN THE POLICIES OF EGYPT AND JORDAN.
THE FORMER IS MAKING INCREASING INCREASING EFFORTS TO KEEP AT AN EQUA
L
DISTANCE FROM THE TWO SUPER POWERS AND TO ACHIEVE ECONOMIC PROGRESS
WITH WESTERN HELP WHILE THE LATTER IS BEGINNING TO RECOGNIZE THE
HARD FACTS OF THE PALESTINIAN SITUATION.

IT IS WITH THESE CONSIDERATIONS IN MIND THAT I SHOULD
LIKE TO PROPOSE THAT THE WORKING GROUP ON THE MEDITERRANEAN SHOULD
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MEET MORE FREQUENCY, PERHAPS AS OFTEN AS THREE OR FOUR TIMES A
YEAR; REGULAR UPDATING OF THE REPORT WILL BE INCREASINGLY NECESSARY
IF THE COUNCIL IS TO BE IN A POSITION TO MAKE SUCCESSIVE ASSESSMENTS
OF DEVELOPMENTS.

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